

Borealis Exploration Limited

Annual Report
For the Year Ended
March 31, 1989

September 21, 1989

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Dear Fellow Shareholders:

The fundamental value of our company is in its landholdings.

Until 1988, Borealis was committed to building mineral assets in two ways: first, by bringing Fat Lake into production, and second, by seeking farm-out partners as exploration targets matured. Last year, due in part to the failure of promised funding to materialize, a corporate decision was made not to develop Fat Lake, or the Company's other properties, without joint-venture partners.

Our land holdings are large and diverse, and should yield significant revenues over the next decades. To date, the Company has profited significantly from its farm-out to Noble Peak Resources, and, within the last few months, Borealis has completed its first farm-out agreement with a major on one of the Company's base metal targets. The joint-venture partner has completed its first field program on the property, and a first-stage drilling program is planned for later this year, with a major drilling program planned on the property in 1990.

Some of the properties on which farm-out partners are currently being sought are:

Fat Lake

Financial constraints and funding difficulties forced curtailment of our underground exploration effort. Reassessment of earlier work, and follow-up of it with detailed mapping and geophysics have pinpointed the shear zone adjacent to the Fat Lake narrow vein deposit. This quartz-carbonate flooded shear zone, identified and drilled in 1986/7, is nearly continuous over at least 4 km, from Fat Lake to beyond the original discovery area at Caribou Horn Lake. There is reason to believe it may have the potential of providing the high tonnage lower grade reserves needed by the Fat Lake operation. Evaluation continues as farm-out partners are being sought.

Borealis Rankin Inlet (Nickel and Platinum)

In conjunction with intensive library study we have restructured our land position in this area. A good potential for nickel ore is evident on one claim on which attention will now be

focused. Asamera Minerals and Comaplex Resources are active in the area of the original Rankin Inlet Nickel Mine.

Mauna Gold

The Mauna Project is located between the Cache Deposit and the Mac Zone drilled by Noble Peak Resources. According to Noble Peak their results indicate strong potential for development of major mines in the Rankin Inlet-Ennadai Greenstone Belt. In addition, other companies have been engaged in exploration and drilling programs on this trend.

Borealis Kaminak Claims

Both lode and quartz vein structures with promising values have been indicated in this newly staked area. The quartz vein structures have been clearly defined. Geophysical indications suggest that the zone being drilled by Sikaman Gold to the south may extend into these claims.

Nancy Claims

A carbonated shear zone located in the 1988 summer program to the east of Fat Lake is a prime target of major dimensions. This has been staked, contiguous to claims held by Giant Yellowknife to the east and by Inco Gold to the north, where an unusual gold occurrence is reported.

Padlei Paleoplacers

An exhaustive study in the 1988 summer program pinpointed the number and continuity of the gold-bearing quartz pebble conglomerates. Ten claims were staked in the permit areas. The Padlei paleoplacers are a very large and ambitious target. Borealis continues discussions with potential farm-out partners with proven expertise in paleoplacers.

Point Lake

Detailed geological and geophysical library work has highlighted a promising target zone with features resembling those of the Lupin mine.

Roche Bay

Discussions continue on the farm-out of the Borealis Roche Bay Magnetite Deposits.

Plans for fiscal year 1990

- We expect to continue to farm-out and joint-venture properties, and we anticipate some cash flow from these sources.
- We will continue aggressive cost cutting of company overhead while increasing exploration programs in the field by means of farm-outs and joint ventures.
- We will continue to consolidate our land position by adding and dropping holdings from our portfolio as opportunities arise and targets are evaluated.
- We hope that by this time next year there will be at least two or three additional major exploration programs underway on our lands, funded and managed by farm-out partners.
- We expect to continue to reduce the number of outstanding shares, in line with our corporate policy over the last decade, which is to attempt to maximize shareholders' value.*

Thank you for your continued support.

Sincerely,

~~Borealis Exploration Limited~~


Rodney T. Cox, Ph.D.

President/Chairman of the Board

*Note: Toward this end, in an agreement dated April 15, 1989 Borealis Exploration Limited acquired an option from the Catawba Liquidating Trust to purchase 296,525 shares of the Company at a price of \$5.00 U.S. per share.

Furthermore, under a separate agreement dated March 15, 1989, the Company acquired for cancellation 674,870 of its shares from the NIM group of a limited

partnership and mutual funds, in exchange for 843,588 shares of Noble Peak Resources held by Borealis. These two blocks of shares were then placed in escrow with NIM's solicitors pending regulatory approval on the transaction. Several days before regulatory approvals were granted NIM unilaterally removed the shares from escrow over the strongest objections on Borealis' part. Statements of claim have been filed in Alberta and British Columbia against the NIM group of companies and their solicitors for specific performance under the terms of the agreement, in the alternative, for damages for breach of contract, in the alternative, for damages for breach of trust, in the alternative for damages for breach of fiduciary duty, as well as for other damages.

The NIM group in these actions comprises: NIM RESOURCE 1988 AND COMPANY, LIMITED PARTNERSHIP, NIM MANAGEMENT LTD., PERPETUAL GROWTH FUND III LIMITED, PERPETUAL GROWTH FUND IV LIMITED, and PERPETUAL GROWTH FUND V LIMITED. In addition, Alex MacDonald, Gary MacDonald and the law firm of Ferguson Gifford are named as defendants in one or another of the actions. Gary MacDonald is a partner in the firm of Ferguson Gifford which was acting as escrow agent. Gary MacDonald is also the solicitor for NIM and a limited partner in the NIM Limited Partnerships.

Auditors' Report

To the Shareholders of
Borealis Exploration Limited

We have examined the consolidated balance sheet of Borealis Exploration Limited as at March 31, 1989 and the consolidated statements of exploratory and development expenses deferred, general and administrative expenses deferred, deficit and cash flow for the year then ended. Our examination was made in accordance with generally accepted auditing standards in Canada, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at March 31, 1989 and the changes in its exploratory and development expenses deferred, general and administrative expenses deferred, deficit and cash flow for the year then ended in accordance with generally accepted accounting principles in Canada applied on a basis consistent with that of the preceding year.

[Signed] BUCHANAN, BARRY & CO.

September 21, 1989

Chartered Accountants

Comments by Auditor for U.S. Readers On Canada-U.S. Reporting Conflict

In the United States, reporting standards for auditors require the expression of a qualified opinion when the consolidated financial statements are affected by uncertainties in connection with the ultimate recovery of costs such as those more fully referred to in the attached consolidated balance sheet as at March 31, 1989 and as described in note 1(a) of the financial statements. The opinion in our report to the shareholders dated September 21, 1989 is not qualified with respect to, and provides no reference to, these uncertainties since such an opinion would not be in accordance with Canadian reporting standards for auditors when the uncertainties are adequately disclosed in the financial statements.

[Signed] BUCHANAN, BARRY & CO.

September 21, 1989

Chartered Accountants

Borealis Exploration Limited

(Incorporated under the laws of Canada)

CONSOLIDATED BALANCE SHEET

March 31, 1989

ASSETS

	<u>Notes</u>	<u>1989</u>	<u>1988</u>
CURRENT ASSETS			
Cash		\$ --	\$ 754,647
Accounts receivable		23,688	31,283
Marketable securities	3	961,791	1,031,827
Deposits	2	34,226	173,745
Receivable from shareholders		<u>23,733</u>	<u>210,063</u>
		1,043,438	2,201,565
INVESTMENT IN SHARES	3	710,000	764,000
MINING LEASES, CLAIMS AND EXPLORATORY PERMITS	14	536,560	389,060
EXPLORATORY AND DEVELOPMENT EXPENSES DEFERRED		19,327,560	16,972,624
GENERAL AND ADMINISTRATIVE EXPENSES DEFERRED		<u>6,369,296</u>	<u>4,431,777</u>
		<u>\$27,986,854</u>	<u>\$24,759,026</u>

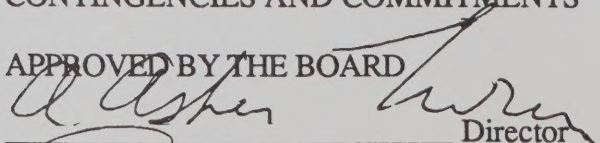
LIABILITIES

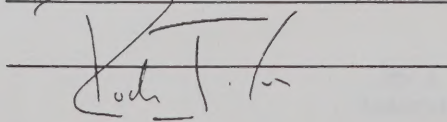
CURRENT LIABILITIES			
Bank indebtedness	4	\$ 91,305	\$ --
Accounts payable and accrued liabilities		1,670,153	1,316,836
Demand loan payable	5	1,372,180	1,503,050
Payable to affiliated company		<u>112,286</u>	<u>320,146</u>
		<u>3,245,924</u>	<u>3,140,032</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK	6	24,958,139	22,214,036
STOCK OPTIONS	6	92,250	--
CONTRIBUTED SURPLUS	7	674,437	998,180
DEFICIT		<u>(983,896)</u>	<u>(1,593,222)</u>
		<u>24,740,930</u>	<u>21,618,994</u>
CONTINGENCIES AND COMMITMENTS	11, 12, 14	<u>\$27,986,854</u>	<u>\$24,759,026</u>

APPROVED BY THE BOARD

 Director

 Director

Borealis Exploration Limited

CONSOLIDATED STATEMENT OF EXPLORATORY AND DEVELOPMENT EXPENSES DEFERRED

YEAR ENDED MARCH 31, 1989

	<u>Balance</u> <u>March 31, 1988</u>	<u>Additions</u>	<u>Balance</u> <u>March 31, 1989</u>
Geological fees and expenses	\$ 1,014,152	\$ 271,095	\$ 1,285,247
Assays	373,832	50,177	424,009
Direct administration	908,062	181,706	1,089,768
Engineering study	176,826	--	176,826
Transportation study	11,862	--	11,862
Northern Mineral Exploration Assistance Program	(9,036)	--	(9,036)
Salaries and benefits	1,664,130	251,804	1,915,934
Drilling	1,338,776	172,152	1,510,928
Contractors' fees	121,731	--	121,731
Transportation and travel	1,939,880	239,366	2,179,246
Camp and accommodation	237,627	37,863	275,490
Equipment rental	285,196	436	285,632
Consultants' fees and expenses	2,329,283	72,612	2,401,895
Depreciation	564,841	291,653	856,494
Fuel, materials and supplies	1,738,998	643,419	2,382,417
Miscellaneous	268,431	274,752	543,183
Trenching and geophysical	59,123	(1,539)	57,584
Surveying	89,049	739	89,788
Aircraft expenses	1,203,171	39,037	1,242,208
Bulk sampling	<u>2,211,756</u>	<u>132,367</u>	<u>2,344,123</u>
	16,527,690	2,657,639	19,185,329
Less expenses relating to mining properties abandoned or sold	<u>830,661</u>	<u>--</u>	<u>830,661</u>
	15,697,029	2,657,639	18,354,668
Mining and other equipment less accumulated depreciation	<u>1,275,595</u>	<u>(302,703)</u>	<u>972,892</u>
Total exploratory and development expenses	<u>\$ 16,972,624</u>	<u>\$ 2,354,936</u>	<u>\$ 19,327,560</u>

Borealis Exploration Limited
CONSOLIDATED STATEMENT OF GENERAL AND
ADMINISTRATIVE EXPENSES DEFERRED
YEAR ENDED MARCH 31, 1989

	<u>Balance</u> <u>March 31, 1988</u>	<u>Additions</u>	<u>Balance</u> <u>March 31, 1989</u>
Financial, technical and other services under contract	\$ 118,835	\$ 204,000	\$ 322,835
Salaries and office services	605,676	211,402	817,078
Interest and exchange	1,458,163	129,055	1,587,218
Legal and accounting	568,729	202,616	771,345
Specialized services	69,272	--	69,272
Shareholders' expenses	196,500	22,028	218,528
Depreciation	27,325	6,499	33,824
Professional fees and services	1,042,750	787,736	1,830,486
Office, travel and miscellaneous	1,304,068	381,473	1,685,541
Guarantee fees	111,725	--	111,725
Interest income and miscellaneous	(88,078)	(7,290)	(95,368)
	<u>5,414,965</u>	<u>1,937,519</u>	<u>7,352,484</u>
Less amounts recovered from partners	<u>113,585</u>	<u>--</u>	<u>113,585</u>
	5,301,380	1,937,519	7,238,899
Less portion of general and administrative expenses considered allocable to mining properties abandoned or sold	<u>869,603</u>	<u>--</u>	<u>869,603</u>
Total general and administrative expenses	<u>\$ 4,431,777</u>	<u>\$ 1,937,519</u>	<u>\$ 6,369,296</u>

Borealis Exploration Limited
CONSOLIDATED STATEMENT OF DEFICIT
YEAR ENDED MARCH 31, 1989

	<u>1989</u>	<u>1988</u>
DEFICIT, beginning of the year	\$ 1,593,222	\$ 860,061
ADD		
Exploratory and development and general and administrative expenses relating to mining properties abandoned or sold	--	513,277
Dividends paid in the year	--	1,391,223
LESS		
Gain on disposal of investments	(609,326)	(1,171,339)
DEFICIT, end of the year	<u>\$983,896</u>	<u>\$ 1,593,222</u>

Borealis Exploration Limited
CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS
YEAR ENDED MARCH 31, 1989

	<u>1989</u>	<u>1988</u>
Balance, beginning of year	\$ 998,180	\$ 572,109
Add		
Gain on sale of repurchased shares	5,610	568,830
Deduct		
Excess of purchase price of repurchased shares over average cost of capital	<u>(329,353)</u>	<u>(142,759)</u>
	<u>\$ 674,437</u>	<u>\$ 998,180</u>

Borealis Exploration Limited
CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 1989

	<u>1989</u>	<u>1988</u>
FINANCING ACTIVITIES		
Proceeds from issue of capital stock and options	\$3,516,120	\$8,682,698
Proceeds from sale of repurchased shares	62,730	568,829
Advances from (to) a shareholder, net	186,330	(541,412)
Dividends paid	--	(1,391,223)
Proceeds from demand loan, less repayments and adjustments	(110,726)	1,503,050
Cancellation of capital stock	(447,139)	(1,038,946)
Share issue expenses	--	--
Reduction in agreement payable	<u>(110,726)</u>	<u>(122,000)</u>
	<u>3,096,589</u>	<u>7,660,996</u>
INVESTING ACTIVITIES		
Exploration and development and general and administrative expenses deferred	(4,444,119)	(9,725,054)
Proceeds from sale of investments in shares	716,112	1,239,510
Net proceeds from sale of fixed assets	1,307	72,000
Advances from (to) affiliated company	(207,860)	320,146
Purchase of mining leases, claims, and exploratory permits	<u>(147,500)</u>	<u>(20,000)</u>
	<u>(4,082,060)</u>	<u>(8,113,398)</u>
CASH INFLOW (OUTFLOW)	(985,471)	(452,402)
CASH AND EQUIVALENTS, beginning of the year	<u>928,392</u>	<u>1,380,794</u>
CASH AND EQUIVALENTS (DEFICIENCY) end of the year	<u>\$ (57,079)</u>	<u>\$ 928,392</u>
CASH AND EQUIVALENTS (DEFICIENCY) IS COMPRISED OF:		
Cash (Bank indebtedness)	(91,305)	754,647
Deposits	34,226	173,745
	<u>\$ (57,079)</u>	<u>\$ 928,392</u>

Borealis Exploration Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1989

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company are stated in Canadian dollars and have been prepared by management in accordance with accounting principles generally accepted in Canada consistently applied. These consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and in light of information available up to September 21, 1989. Significant accounting policies are summarized below:

(a) Mining Operations

Mineral properties are recorded at cost. Exploration and development costs relating to these properties are deferred until the properties are brought into production, at which time the costs will be amortized on the unit of production basis, or until the properties are abandoned or sold at which time the costs are written off.

The Company depreciates its mining and other equipment using the following declining balance method at the following rates:

Aircraft	25%
Office Equipment	20%
Mining equipment	20% and 30%
Computer equipment	30%

The ultimate recovery of the costs of the mining properties and the exploratory and development and general and administrative expenses deferred, is dependent upon the Company's ability to obtain adequate financing in order to complete the development of the properties and upon future commercial and profitable production.

(b) Principles of Consolidation

The consolidated financial statements include, in addition to the accounts of the Company, the accounts of its wholly-owned subsidiaries, Borealis Exploration Incorporated, Borealis Gold Limited, and Sivullik Management Limited.

(c) Investment in Shares

The Company accounts for its investment in shares using the equity method of accounting where the investment is initially recorded at cost and the carrying value adjusted thereafter to include the Company's pro rata share of post acquisition earnings and the cost method of accounting for the shares when the Company cannot exercise significant influence on the investment.

(d) Foreign Currency Translation

The accounts of the foreign subsidiary and other foreign denominated transactions have been translated to Canadian dollars using the temporal method on the following basis: monetary items at the rate of exchange at the year-end; other assets and liabilities at the historical rate of exchange. The items in the statements of exploratory and development and general and administrative expenses deferred are translated at the average rates of exchange prevailing during the year.

(e) Flow-through Shares

During the year, the Company issued flow-through shares through which expenditures were made in accordance with certain provisions of the Income Tax Act (Canada) which provides for the income tax deductions attributed to them to flow through to subscribers and, accordingly, they have a nil income tax cost to the Company.

The value assigned to the properties upon which subscribers' funds were expended is the actual dollar amount of the expenditures with such expenditures being deferred as described in note 1(a). Share capital has been recorded based on cash received.

2. DEPOSITS

	<u>1989</u>	<u>1988</u>
Government of Canada	\$ 34,226	\$ 32,559
Deposits with suppliers	—	141,186
	<u>\$ 34,226</u>	<u>\$ 173,745</u>

The deposit with the Government of Canada is a requirement of the Canada Mining Regulations for work performance requirements.

3. INVESTMENTS

	<u>1989</u>	<u>1988</u>
Marketable Securities		
Noble Peak Resources Ltd.	\$961,791	\$1,031,827
Investment in shares		
Faraway Gold Mines Ltd.	710,000	710,000
Stratabound Minerals Corp.	—	54,000
	<u>710,000</u>	<u>764,000</u>
	<u>\$1,671,791</u>	<u>\$1,795,827</u>

At March 31, 1989 the quoted market value of the shares was \$5,007,820 (1988 - \$15,578,100).

Noble Peak Resources Ltd. is being accounted for at cost. Certain of these shares have been deposited with custodians in trust as follows:

- (a) 843,588 shares pursuant to an agreement whereby the Company is to receive 674,870 of its own shares for cancellation.
(See Note 14.)

- (b) 300,000 shares as security for a contingent liability described in note 11 c.
It is the intention of the Company to dispose of the remaining 1,055,294 shares of Noble Peak Resources Ltd.

Pursuant to an agreement dated March 2, 1987, the Company acquired 2,200,000 common shares of Faraway Gold Mines Ltd. in exchange for 30,000 shares of the Company. A further 200,000 shares were purchased from a shareholder. As this agreement is binding upon the Company, it has been included in the accounts but is still subject to regulatory approval. (See Note 14.)

The Company has an agreement with Faraway Gold Mines Ltd. which requires Faraway to spend \$1,500,000 prior to March 31, 1991 on certain of the Company's mining permits to earn a 50% interest in the subject permits before payout and 40% after payout.

4. BANK INDEBTEDNESS

Bank indebtedness consists of the following:

Excess of cheques issued over bank balance	\$ 31,305
Demand loan	<u>60,000</u>
	<u>91,305</u>

The demand loan is secured by a lien on the Company's aircraft.

5. DEMAND LOAN PAYABLE

The loan of \$1,372,180 (U.S. \$ 1,150,000) bears interest at 15% compounded annually, is secured by a guarantee of a shareholder and is payable on demand. In consideration the lender has been granted an option to purchase shares of the Company, commencing September 21, 1987, as follows:

75,000 shares @ \$22.50 expiring June 21, 1988
75,000 shares @ \$27.00 expiring February 21, 1989
75,000 shares @ \$32.50 expiring September 21, 1989

These options expired without being exercised.

6. CAPITAL STOCK

- (a) Authorized capital stock of the Company consists of 5,000,000 common shares without par value.
(b) Issued capital stock of the Company consists of the following:

	<u>Number of Shares</u>	<u>Stated Value</u>
Shares issued from treasury, March 31, 1988	<u>2,772,577</u>	<u>\$22,337,844</u>
Issued		
Pursuant to flow-through share agreements	229,821	2,904,020
In exchange for services	<u>22,060</u>	<u>299,850</u>
	<u>251,881</u>	<u>3,203,870</u>
Less shares repurchased and cancelled	<u>(31,200)</u>	<u>(261,457)</u>
Shares issued from treasury March 31, 1989	2,993,258	25,280,257
Add shares to be issued:		
Pursuant to investment in shares (note 3)	30,000	660,000
For cash pursuant to a Directors resolution effective March 15, 1989	100,000	220,000
Less shares held by subsidiaries [note 6(d)]	<u>(159,400)</u>	<u>(1,202,118)</u>
Balance of shares issued, March 31, 1989	<u>2,963,858</u>	<u>\$24,958,139</u>

- (c) Pursuant to a flow-through share agreement the Company has reserved 2,602 shares for warrants exercisable up to June 1, 1993 at a price of \$.01 per share.

- (d) By Board of Directors' resolution dated June 5, 1985, the Company has entered into an option agreement dated June 20, 1985 with a major shareholder whereby the Company has been granted an option to repurchase 702,533 shares of the Company at \$5.00 U.S. per share until July 15, 1987.

As at July 15, 1987, the Company had repurchased 190,000 shares at the option price and extended the option to repurchase 10,000 shares every three months commencing October 15, 1987 at \$7.50 U.S. per share and the balance, at July 15, 1988, at \$8.00 U.S. per share.

On May 19, 1988, the option was extended to repurchase 10,000 shares on July 15, 1988 and 7,500 shares on September 1 and October 1, 1988, all for \$7.50 U.S. per share. Subsequent to March 31, 1989, the agreement was amended to purchase additional shares at \$5.00 U.S.

The Company assigned the right to repurchase the shares described above to its wholly-owned subsidiary, Borealis Gold Ltd. As at March 31, 1989, Borealis Exploration Incorporated owned 29,900 shares and Borealis Gold Ltd. owned 129,500 shares.

- (e) By authorization of the Company, the president, at his sole discretion, can authorize the issue of up to 12,000 shares in the aggregate per annum to any individual as compensation for work done for or on behalf of the Company.

- (f) A flow-through share issue of the Company was issued with a contingent note receivable of \$160,000 for the shares issued. If the market price of the Company's stock reaches a certain level prior to June 1993, the note is payable immediately. If the share price does not reach this level by the date indicated above, the note is deemed to be paid in full. The note is secured by shares and warrants of the Company and because of the contingent nature of this note, management cannot be certain of its collectibility, therefore, it is not reflected in the accounts.
- (g) The Company has offered options expiring October 17, 1991 to Directors, Officers, and employees and consultants to acquire 244,500 shares at \$4.50 per share, for an option price of \$.50 per share. As at March 31, 1989, 184,500 options had been purchased for \$92,250. The cost of the option will be applied to the purchase price.

7. CONTRIBUTED SURPLUS

During the year, the Company redeemed and cancelled 31,200 shares at a cost of \$447,139. The excess of cost over the stated value of the capital stock cancelled in the amount of \$185,663 has been applied to reduce the Company's contributed surplus.

During the year, the Company's wholly-owned subsidiaries purchased 85,500 shares of the parent company for \$619,100 and then sold 7,000 shares for \$62,730. The excess of the purchase price over the stated value of the shares has been applied to reduce the contributed surplus by \$143,690. The excess of the selling price over the cost of the shares has been applied to increase the contributed surplus by \$5,610.

8. ECONOMIC DEPENDENCE

In order to finance exploration activities, the Company has incurred significant liabilities. As the Company has not yet established a self-sustaining cash flow from operations, it is primarily dependent upon certain shareholders for financial support (see notes 5 and 9).

9. RELATED PARTY TRANSACTIONS

The Company has had numerous financial transactions with the President. These transactions consist of cash advances to the Company, personal guarantees to and repayment of some of the Company's liabilities and repayment of some bank debts of the Company. These transactions are fully described in other notes to the financial statements.

10. INCOME TAXES

The Company has incurred certain resource related expenditures which can be used to reduce taxable income in future years. No future tax benefit of these expenditures has been recognized in the accounts.

Income tax deductions related to the gross expenditures incurred with flow-through share proceeds in prior years are allocated to the investor and accordingly the Company will not receive any tax deductions for these expenditures.

11. CONTINGENT LIABILITIES

- (a) The Company has agreed to pay any and all taxes which may be payable in connection with 475,000 shares cancelled prior to March 31, 1985. The amount of tax, if any, is not yet determinable.
- (b) Under certain flow-through share agreements, the Company is contingently liable for the penalties and taxes if any expenditures renounced to the shareholders are disallowed. Expenditures totalling \$5,380,573 are currently under review by Revenue Canada. Management is of the opinion that none of the expenses renounced will be disallowed.
- (c) The Company is contingently liable for demobilization costs of \$175,000 related to removal of equipment from its mine at Fat Lake. This contingency is secured by the assignment of 300,000 shares of Noble Peak Resources, Ltd.

12. COMMITMENTS

- (a) By agreement dated March 1, 1979 and reaffirmed by the option agreement mentioned in note 6(d), the Company granted a royalty interest to a major shareholder based on 5% of the crown royalty interest on 10,973 acres of mining leases currently held by the Company.
- (b) The Company has lease obligations on office premises and equipment, commencing December 1, 1986 as follows:
1989 - \$21,500; 1990 - \$21,500 and 1991 - \$12,500.

13. STATUTORY INFORMATION

The Company has nine directors. Total remuneration for services rendered by the Directors and Senior Officers was \$418,250 (\$620,125 in 1988) of which \$345,000 was paid in cash and \$73,250 by the issue of 8,500 shares (\$410,125 in cash and \$210,000 by issue of shares in 1988) including the five highest paid employees.

14. LITIGATION

The Company has commenced legal action against a major stockholder for specific performance or damage for breach of contract, or breach of trust, or breach of fiduciary duty related to an agreement dated March 15, 1989 whereby the Company agreed to exchange 843,588 shares of Noble Peak Resources Ltd. in return for 674,870 shares of the Company for cancellation. A legal opinion as to the merits of the Company's position is not available, however management is of the opinion the matter will be resolved in the Company's favour. This is further explained in other releases of the Company.

The Company has commenced legal action against a major shareholder of Faraway Gold Mines Ltd. to enforce completion of an agreement dated March 2, 1987. (See Note 3.) Regulatory authorities have declined to consider this agreement pending the outcome of the action.

Trade creditor liens and a mortgage have been registered against certain of the Company's mining leases, permits, and claims. The Company is in the process of removing the mortgage.

Corporate Information

BOARD OF DIRECTORS

Chana B. Cox, Ph.D.
Rodney T. Cox, Ph.D.
David M. Goldenberg, LL.B.
Wayne S. Marshall, Ph.D.
Joseph T. Mattson, B.S.
Cameron O. Smith, M.S.
Donald M. Thompson, LL.M., Ph.D.
A. Asher Turin, B.A.
Charles M. Zeifman, C.A.

OFFICERS

Rodney T. Cox, President/Chairman of the Board
Joseph T. Mattson, Vice President Development/Director,
Operational Planning
Adrian G. Mann, Vice President Geology
Chana B. Cox, Vice President/ Director of Planning
David M. Goldenberg, Secretary/Director

COUNSEL

David M. Goldenberg, LL.B.
Beaumont Church
Calgary, Alberta

AUDITORS

Buchanan Barry & Co.
Chartered Accountants
Calgary, Alberta

STOCK EXCHANGE LISTING

Alberta Stock Exchange
Symbol: BSX

REGISTRAR AND TRANSFER AGENT

Montreal Trust Company
411 - 8th Avenue S.W.
Calgary, Alberta

INCORPORATED

Dominion Charter: August 26, 1968
Dominion Continuance: September 10, 1979
Dominion Continuance: July 6, 1988

HEAD OFFICE

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403-233-2218 / 503-621-3286
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DATE OF ANNUAL SHAREHOLDERS MEETING

November 8, 1989

